

BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN

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Joint Application of Wisconsin Electric Power Company  
and Wisconsin Gas LLC, for Authority To Adjust  
Electric, Natural Gas and Steam Rates – Test Year 2020

Docket No. 05-UR-109

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DIRECT TESTIMONY OF WILLIAM J. KORDUCKI

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1 **Q. Please state your name, business address and title.**

2 A. My name is William J. Korducki. My business address is 231 West Michigan Street,  
3 Milwaukee, WI 53203. I am a Senior Project Specialist in the State Regulatory Affairs  
4 and Policy Department of WEC Business Services LLC (WBS), a wholly owned business  
5 unit of WEC Energy Group.

6 **Q. Please describe your educational background and professional experience.**

7 A. I graduated from the University of Wisconsin - Milwaukee in 1981 with a Bachelor's  
8 degree in Business Administration with an Accounting emphasis. I am a certified public  
9 accountant licensed by the State of Wisconsin. Since 1987 I have been employed at  
10 Wisconsin Southern Gas Company, Inc. and its successors, including WEC Energy  
11 Group. I have worked in regulatory support functions for cost of service, rate making,  
12 rate design and tariff since 1990.

13 **Q. Have you previously testified before the Commission?**

14 A. Yes, on numerous occasions.

15 **Q. What is the purpose of your direct testimony in this proceeding?**

16 A. The purpose of my testimony is to provide the proposed natural gas rate design for  
17 Wisconsin Electric Power Company – Gas Operations (WEGO) and Wisconsin Gas LLC

1 (WG) (collectively, the “Companies”). These rate designs were prepared for revenue  
2 changes consistent with Ex.-WEPCO WG-Zgonc 1, Schedule 1 and tariff service  
3 changes.

4 **Q. What principal rate design and tariff changes do the Companies propose?**

5 A. We propose the following changes:

- 6 • An increase in the residential fixed daily facilities charge for WEGO and WG;
- 7 • Increases in daily demand charges for WEGO and WG;
- 8 • Changes in volumetric per therm rates to produce revenues that reflect the  
9 increases requested;
- 10 • Changes to telemetry charges and transportation administration charges;
- 11 • A large commercial industrial customer class with a rate design that is  
12 substantially fixed, to go into effect on January 1, 2021;
- 13 • Aligning the annual rate review processes across WEC Energy Group’s  
14 Wisconsin natural gas utilities and exempting agricultural crop drying from that  
15 review; and
- 16 • Changing the monetization of WEGO’s and WG’s treatment of lost and  
17 unaccounted for gas to a “gas-in-kind” approach similar to that used by Wisconsin  
18 Public Service Corporation (WPSC).

19 **Q. Are you sponsoring any exhibits to accompany your testimony?**

20 A. Yes. I am sponsoring several exhibits that either I prepared or that were prepared under  
21 my direction. A complete list of my exhibits is as follows:

- 22 • Ex.-WEPCO WG-Korducki-1: WEGO Compare Proposed Revenues and Cost of  
23 Service Study (COSS) Results

- 1 • Ex.-WEPCO WG-Korducki-2: WG Compare Proposed Revenues and COSS
- 2 Results
- 3 • Ex.-WEPCO WG-Korducki-3: WEGO Current and Proposed Revenue
- 4 • Ex.-WEPCO WG-Korducki-4: WG Current and Proposed Revenue
- 5 • Ex.-WEPCO WG-Korducki-5: WEGO Proposed Final and Current Rates
- 6 • Ex.-WEPCO WG-Korducki-6: WG Proposed Final and Current Rates
- 7 • Ex.-WEPCO WG-Korducki-7: WEGO Customer Level Bill Comparisons and
- 8 Impacts
- 9 • Ex.-WEPCO WG-Korducki-8: WG Customer Level Bill Comparisons and
- 10 Impacts
- 11 • Ex.-WEPCO WG-Korducki-9: WEGO Act 141 Costs and Rate Support
- 12 • Ex.-WEPCO WG-Korducki-10: WG Act 141 Costs and Rate Support
- 13 • Ex.-WEPCO WG-Korducki-11: WEGO Tariff Changes
- 14 • Ex.-WEPCO WG-Korducki-12: WG Tariff Changes
- 15 • Ex.-WEPCO WG-Korducki-13: WEGO Class 7 and 8 Proposed revenue and rate
- 16 changes and Customer Level Bill Comparisons and Impacts for 2021
- 17 • Ex.-WEPCO WG-Korducki-14: WG Class 7 and 8 Proposed revenue and rate
- 18 changes and Customer Level Bill Comparisons and Impacts for 2021

19 **Q. What principles inform your rate design analysis?**

20 A. I do not approach rate design as a strictly numerical analysis. I treat the COSS as a guide  
21 for rate design. In general, in designing gas rates, we apply the same principles described  
22 in the electric rate design testimony of my colleague, Ms. Ronda Ferguson. In the gas

1 context, however, we are relatively more sensitive to the potential for rate shock because  
2 gas customers have a number of alternatives not shared by electric customers:

- 3 • Customers with the ability to use alternate fuels may choose to switch to such  
4 fuels if increases in the cost of utility service are too great;
- 5 • Customers with access to alternative sources of natural gas, such as customers  
6 located near interstate natural gas pipelines, could “bypass” utility service if  
7 increases in the cost of that service are too great; and
- 8 • Customers who have production plants in multiple locations may react to large  
9 increases in the cost of utility natural gas service by consolidating production  
10 within lower cost locations.

11 If customers with these alternatives leave natural gas utility service, the same fixed costs  
12 must be recovered from fewer remaining customers, thereby increasing remaining  
13 customers’ costs. This in turn causes remaining customers to look for alternatives,  
14 creating a potential “death spiral” of a decreasing customer base from which to recover  
15 fixed costs. Our rate proposals attempt to mitigate this possibility while observing the  
16 other general principles Ms. Ferguson describes.

17 **Q. Please explain the purpose of Ex.-WEPCO WG-Korducki-1 and Ex.-WEPCO WG-**  
18 **Korducki-2.**

19 A. Ex.-WEPCO WG-Korducki-1 shows the differences between class revenues generated  
20 from my rate design proposal and Mr. Nelson’s total COSS base and alternate results for  
21 WEGO for test year 2020. Similarly, Ex.-WEPCO WG-Korducki-2 shows the differences  
22 between class revenues generated from my rate design proposal and the COSS base  
23 results for WG for test year 2020.

1 **Q. Why would there be a difference between the class revenues you are proposing**  
2 **compared to the COSS results sponsored by Mr. Nelson?**

3 A. There are a number of reasons, but the primary reason to depart from COSS in rate  
4 design is that absolute application of COSS results could cause the very rate shock we are  
5 trying to avoid. To balance COSS targets with a desire for rate stability, in some  
6 situations we may propose moving gradually closer to COSS class results. At the same  
7 time, the diverse nature of customers within individual rate classifications may result in  
8 intra-class subsidies, and efforts to reduce rate shock may contribute to inter-class  
9 subsidies. We balance all of these competing considerations in our rate design. As a  
10 result, COSS results are viewed as more of a guideline, and proposed revenues for a  
11 particular class and COSS results for the same class seldom match perfectly.

12 **I. *General Rate Design Proposals***

13 **Q. Please describe the exhibits relevant to your rate design proposal.**

14 A. Ex.-WEPCO WG-Korducki-3 and Ex.-WEPCO WG-Korducki-4 show the customers,  
15 therms, total revenues for 2020 at current rates (referred to as “as filed 2020 revenues”),  
16 total revenues at proposed rates for 2020, and the dollar and percentage changes by rate  
17 class for WEGO and WG, respectively.

18 Ex.-WEPCO WG-Korducki-5 and Ex.-WEPCO WG-Korducki-6 compare the  
19 Companies’ proposed final margin rates in this proceeding to current rates.

20 Ex.-WEPCO WG-Korducki-7 and Ex.-WEPCO WG-Korducki-8 provide customer bill  
21 impacts and annual percentage changes at varied levels of consumption for each of the  
22 Companies’ natural gas service customer classes for both sales and transportation  
23 services.

1 **Q. Do the Companies' proposed rate designs conform to the requirements in the**  
2 **Commission's order in Docket 05-GI-108 (Phase I Appendix B), which establishes**  
3 **functional categories of costs for use in cost of service studies?**

4 A. Yes.

5 **Q. What changes are you proposing for volumetric rate per therm and daily fixed**  
6 **facilities charges?**

7 A. I am proposing changes to the basic volumetric distribution rates and competitive supply  
8 rates, as well as increases in the Residential Fixed Daily Facilities Charges and Daily  
9 Demand Charges for WEGO and WG. I also propose delinking the residential fixed and  
10 volumetric distribution charges from those of the smallest commercial industrial service.  
11 These rate increase proposals seek to better align rates with costs while improving upon  
12 inter-class rate relationships, and provide for the requested recovery of the revenue  
13 requirement as presented in Ex.-WEPCO WG-Zgonc-1, Schedule 1.

14 **Q. Why are you proposing to increase the Residential Fixed Daily Facilities Charge for**  
15 **sales service customers?**

16 A. This increase will more closely align fixed and variable revenues with fixed and variable  
17 costs, which is important because a majority of the non-gas costs incurred to provide  
18 residential sales service are fixed and do not vary significantly with volumes of gas  
19 delivered. That is, aside from gas costs, we incur largely the same costs to serve a low-  
20 usage customer with only one natural gas appliance and a high-usage customer with  
21 several natural gas appliances. Because so many of these fixed costs are recovered  
22 through a volumetric (per therm) rate, low usage residential customers receive a benefit  
23 from high usage residential customers in the form of an intra-class subsidy. In an effort

1 to minimize this subsidy, we are proposing to increase the Residential Fixed Daily  
2 Facilities Charge from \$0.33 to \$0.47 per day.

3 Despite this change, the overall cost recovery from the residential class is intended to  
4 remain the same. Recovering more of the residential cost of service on a fixed basis as  
5 compared to a variable basis will simply reduce intra-class subsidization.

6 **Q. Are you proposing any changes to the Basic Distribution Service rates?**

7 A. Yes. The requested overall revenue change in Ex.-WEPCO WG-Zgonc-1, Schedule 1  
8 reflects 2020 increases of \$14,700,000 for WEGO and \$10,956,000 for WG. These  
9 proposed revenue increases are incorporated into the proposed rates reflected in my  
10 exhibits. Because many of these overall changes are related to basic distribution service,  
11 the majority of the changes are reflected in the proposed basic distribution rates.

12 **Q. What factors other than the class COSS did you consider when developing your  
13 proposed rate design?**

14 A. In addition to the general principles I have discussed, the Companies utilized breakpoint  
15 analysis in making its rate proposals.

16 **Q. What do you mean by “breakpoint analysis”?**

17 A. A breakpoint is the therm quantity where one customer class ends and another begins.  
18 Breakpoint analysis supports setting rates so that the customer is economically indifferent  
19 to its rate class at the class breakpoints. In a rate design with optimal (or “smooth”)  
20 breakpoints, customers classified immediately on either side of a breakpoint would pay  
21 rates that yield the same annual cost. Smooth breakpoints mean there are no sharp  
22 discontinuities between rate classes that will provide artificial incentives for customers to  
23 increase or decrease their natural gas usage merely to achieve economic advantage.

1 **Q. Are you proposing any rate design changes to optimize breakpoint continuity?**

2 A. Yes. Historically the Competitive Supply Rates were different by sales rate class.

3 Likewise, the distribution volumetric rates are graduated by rate class. All customers pay  
4 the distribution rates, but only sales customers pay the Competitive Supply Rates.

5 Because the breakpoint solves for the total rate after we sum all the components that  
6 make up what the customer pays, if one solves breakpoints for sales customers then

7 discontinuity occurs at transportation service breakpoints. Similarly, if one solves for  
8 breakpoints on transportation services discontinuity occurs for sales customer services.

9 **Q. Is there a way to provide continuity at breakpoints for all customers?**

10 A. Yes. I propose to move the Competitive Supply Rates and the peak day backup rates from

11 a rate class graduated rate per therm to a rate per therm that will be uniform for all sales

12 rate classes. Because Competitive Supply represents costs to provide gas supply to our

13 sales customers, a uniform cost per therm allocation is appropriate. Peak day facilities are

14 shared equally by all firm customers, making such an approach among firm customers

15 appropriate, too. This will solve the breakpoint continuity concern for all customers.

16 **Q. Are you also providing Act 141 costs and rate support?**

17 A. Yes. Please refer to Ex.-WEPCO WG-Korducki-9 and Ex.-WEPCO WG-Korducki-10 for

18 Act 141 costs by customer rate classes and rate calculations for 2020.

19 **II. *Proposed Tariff Revisions***

20 **Q. What tariff changes are you sponsoring in Ex.-WEPCO WG-Korducki-11 and Ex.-**

21 **WEPCO WG-Korducki-12?**

22 A. I propose to create a Rate Class 8 at 15,000,000 therms of annual consumption.

1 **Q. Please explain your proposal concerning Rate Class 8.**

2 A. For our commercial/industrial services, we propose capping the existing Class 7 at usage  
3 of 14,999,999 therms annually and creating a new Class 8 for customers using  
4 15,000,000 therms or more annually. We propose to price this class of service as  
5 substantially fixed, with the volumetric rate recovering only the most fundamental of  
6 variable costs, meaning pure incremental costs (such as natural gas odorant) that increase  
7 with each therm consumed.

8 **Q. Why are you proposing a break point at 15,000,000 therms and why do you propose**  
9 **a rate design that is substantially fixed?**

10 A. Customers above this breakpoint are our largest customers, and are typically employers  
11 with major impact in their communities.

12 While our current Class 7 breakpoint of 8,000,000 therms annually is already substantial,  
13 our experience shows that customers' economic options increase as their usage increases.

14 Bypassing the natural gas utility and connecting to the interstate pipeline may not be  
15 economically feasible at annual consumption of 8,000,000 therms, but stepping up annual  
16 consumption to 15,000,000 therms or more can make such business opportunities viable.

17 And bypassing the local utility is not the only option available. Some customers have  
18 locations in other parts of the United States or other countries against which they  
19 compare and measure their natural gas utility costs in Wisconsin. They may periodically  
20 assess keeping their plants open here in Wisconsin or transferring operations elsewhere.

21 By aligning the customer fixed charges to cover all costs of service except for  
22 fundamental variable costs, a growing industrial customer may be less affected by an  
23 increase in natural gas costs coupled with their increased production. With this rate

1 design, we seek to provide a cost-effective pricing structure for price-sensitive customers  
2 while doing all we can to preserve the jobs and economic viability they provide to their  
3 communities.

4 **Q. Have you experienced customers increasing natural gas usage to or over 15,000,000**  
5 **therms annually?**

6 A. Yes. For example, we have very large customers who switched to natural gas instead of  
7 using wood chips, coal or oil. These customers cite reasons such as environmental  
8 compliance as motivation for doing so.

9 **Q. Do you propose to change the way you allocate costs to this new customer class?**

10 A. No. Currently customers of this size would reside in Class 7, and we propose the same  
11 COSS approach for Class 8.

12 **Q. Do you have a separate COSS for the proposed Class 8?**

13 A. No.

14 **Q. How will you set a cost-based rate for this new class?**

15 A. Our proposed rates are designed so that costs currently assigned to Class 7 are recovered  
16 from Classes 7 and 8 combined. At 15,000,000 therms, the customer should be  
17 economically indifferent between Class 7 and Class 8, although there will be a step up in  
18 the fixed charge and a step down in the volumetric charge. The customers in Classes 7  
19 and 8 will collectively contribute their cost of service. In the next rate case we can  
20 establish a separate COSS for Class 8.

21 **Q. When do you propose to make Class 8 effective?**

1 A. We propose for Class 8 to go into effect on January 1, 2021. This will allow customers a  
2 year to prepare for this change in rate class. I have a January 1, 2021 effective date to  
3 accommodate this change in Ex.-WEPCO WG-Korducki-13 and 14.

4 **III. *Rate Review Process Changes***

5 **Q. Do you propose changes to the annual rate review process?**

6 A. Yes. I propose to:

7 1) Align the annual rate review processes across WEC Energy Group’s Wisconsin  
8 natural gas utilities and exempting agricultural crop drying from that review;

9 2) Establish a daily fixed telemetry charge for WEGO and WG;

10 3) Synchronize tariff Purchased Gas Cost Adjustment language to:

11 i) treat lost and unaccounted for gas as a “gas-in-kind” lost gas percentage  
12 rate rather than monetizing it into a rate, and

13 ii) forego the use of the 48-month average capacity release and instead use  
14 forecasted capacity release in the gas supply plan; and

15 4) Create a Power Generation Interruptible Sales Service.

16 **Q. Please explain your proposal on standardizing the annual rate review process across  
17 the WEC Energy Group utilities.**

18 A. We are proposing to revise WEGO’s and WG’s tariff language to reflect the process used  
19 by WPSC for its annual rate reviews. This will provide consistency in the tariff  
20 provisions across WEC Energy Group’s Wisconsin utilities and will enable WEGO and  
21 WG to more easily adopt the WPSC billing platform.

22 **Q. How will that impact WEGO and WG sales and transportation customers near a  
23 rate class breakpoint?**

1 A. Currently WEGO and WG customers' annual usage is weather normalized before it is  
2 reviewed against class usage criteria. A rate class change is made when a customer's  
3 annual weather normalized usage aligns to a different rate class. WPSC does not weather  
4 normalize usage in its annual rate review. Instead, it uses a 10% tolerance band around  
5 the rate class breakpoints, and a customer's actual annual usage does not trigger a change  
6 to a different rate class unless it falls outside this tolerance band.

7 **Q. How will the customer know their rate class will be changed based on their annual**  
8 **usage?**

9 A. The company will post a message on the customer's bill notifying them of the change.

10 **Q. When do you plan to implement this rate review change?**

11 A. We propose to implement this rate review change about April 1, 2020, when we switch  
12 over to the new billing platform.

13 **Q. Do you propose any other changes for the rate review process?**

14 A. Yes. We propose to exempt the agricultural crop drying customers from the rate audit.  
15 Agricultural crop drying customers' usage reflects weather volatility. A wet summer and  
16 fall will cause a customer to use more natural gas to dry product for market. A warmer,  
17 dryer year will result in less usage. Some customers near the rate class breakpoints have  
18 been known to use more gas due to a wet year while they are paying a lower fixed charge  
19 and higher volumetric rate, and subsequently are moved to a rate class with a higher fixed  
20 charge and a lower volumetric rate per the rate review. If the following year is dry and  
21 usage is less, the resulting rate review will move the customer back to a rate with a lower  
22 fixed charge and a higher volumetric charge. Due to these oscillations, customers  
23 sometimes feel they are being gamed to pay more. Exempting agricultural crop drying

1 customers from the rate review process will reduce this perception and benefit these  
2 customers with greater rate class stability.

3 **Q. When do you propose to make the change with respect to crop drying customers?**

4 A. We propose to make the change effective August 1, 2020 to coincide with the start of the  
5 grain drying season.

6 **Q. What changes do you propose for telemetry charges?**

7 A. Customers on interruptible services and transportation services and those subscribing to  
8 Pulse Device Service are required to install telemetry. Currently they are charged a one-  
9 time upfront \$1,250 fee for the equipment. The Companies maintain the telemetry  
10 equipment and update it with each natural gas meter change and equipment update. We  
11 propose to move WEGO and WG away from a one-time telemetry fee to a daily fixed  
12 telemetry charge which we propose to be \$0.20 per day, consistent with WPSC's tariffs.  
13 This would apply to all customers whose tariff services require telemetry devices.

14 **Q. When would this begin?**

15 A. We propose to make this effective with the final order in this proceeding for all WEGO  
16 and WG customers who are new to telemetry tariff requirements. Current customers who  
17 have already paid the \$1,250 telemetry fee would be grandfathered until the next rate  
18 case, at which time we would propose to make a daily telemetry fee applicable to all  
19 WEGO and WG customers that require telemetry.

20 **Q. Under current tariffs, is there ever a situation where a customer has a telemetry  
21 device as required by tariff but has not paid the one-time tariff charge?**

22 A. Yes. WEGO and WG customers under firm sales service have not been assessed a  
23 telemetry fee, although they may have telemetry equipment onsite at the Companies'

1 request. This is most common in the larger volume rate classes, Classes 6 and 7. We  
2 propose that current WEGO and WG firm sales customers in these rate classes also  
3 continue to be grandfathered until they make a change that triggers assessment of the  
4 \$1,250 fee, such as electing to take either interruptible service or transportation service,  
5 or requesting a new pulse device service, just as we are proposing for all other customers  
6 under telemetry requirements. New customers to firm sales classes 6 or 7 receiving  
7 telemetry as a company requirement will continue under the current arrangement and not  
8 be charged for telemetry costs. New customers taking interruptible sales service,  
9 transportation service or Pulse Device Service will be subject to the daily telemetry fee.

10 **Q. Will the grandfathering you propose extend to customers on tariff schedule X-201,**  
11 **Pulse Device Service?**

12 A. Yes, the same standard applied to pre-existing customers would also be applied to pulse  
13 device customers.

14 **Q. Can you explain what lost and unaccounted for (“LAUF”) gas is as it relates to the**  
15 **Companies’ proposed changes to purchased gas adjustment process?**

16 A. LAUF gas is a natural manifestation of natural gas distribution systems, arising from  
17 physical loss of natural gas as well as from measurement variances. In the course of  
18 normal utility business processes, some small measure of natural gas escapes and is lost.  
19 Natural gas measurements from numerous sources vary for pressure factors and  
20 measurement inconsistencies that occur when natural gas comes from a wellhead through  
21 pipelines and storage facilities, and is repeatedly measured and handed off through  
22 various entities until it is finally delivered into the natural gas utility distribution system.

1 These measurement anomalies mean that our total sales and redelivery of natural gas  
2 never exactly match natural gas purchases and transportation customers' deliveries.

3 **Q How do WEGO and WG handle LAUF gas?**

4 A. A LAUF factor is monetized into a rate factor that is applied across all therms for all rate  
5 schedules. This rate factor is set in a rate case based on usage and pricing estimates from  
6 the previous rate case. By the time the rate is actually applied to our customers' usage,  
7 the underlying data sets and pricing are at least one year old. Applying this factor  
8 therefore sends price signals that can mislead customers. For example, the pricing of the  
9 LAUF factor in today's rates is based upon data derived in late 2013, and reflects a  
10 LAUF gain, not a loss. This results in a credit with the unintended consequence of our  
11 natural gas sales customers subsidizing transportation services.

12 **Q. What changes do you propose in the use of gas LAUF factors for WEGO and WG?**

13 A. I propose replacing the LAUF rate factor with a percentage lost and unaccounted for  
14 factor, which I propose to use in the PSCW PGA application. This is sometimes referred  
15 to as a purchase-to-sales ratio. Furthermore, I propose to apply this factor to quantities of  
16 gas scheduled under transportation service. This would allow a gas-in-kind exchange  
17 between natural gas transportation customers and the Companies.

18 **Q. How would you determine this factor?**

19 A. The LAUF factor would be the average of the most recent three years' LAUF factors that  
20 the Companies report to the Commission pursuant to annual pipeline safety reporting  
21 requirements.

22 **Q. How would you propose to implement this factor?**

1 A. I propose to implement this factor on November 1, 2020 and update it annually every  
2 November 1, listing it on a natural gas tariff sheet that will be easily accessible in the  
3 public domain. This factor would be used as a purchase-to-sales factor in the Purchased  
4 Gas Adjustment Calculation and will adjust Scheduled Delivered Quantities for  
5 transportation customers as a gas-in-kind factor. The billing impacts of this factor would  
6 be applied through the Purchased Gas Adjustment/Gas Cost Recovery Mechanism.

7 **Q. What benefits would this provide to your customers?**

8 A. It eliminates a pricing anomaly, matches current natural gas purchased at current prices,  
9 and adjusts more currently for movements in the LAUF factor.

10 **Q. Do you propose changes to how you estimate capacity release targets for the gas  
11 supply plan and the Purchased Gas Cost Adjustment?**

12 A. Yes. For WEGO and WG, we propose to change the process by which the capacity  
13 release target is formulated for the next Gas Supply year. Presently a weighted four-year  
14 history is used to set capacity release targets for our gas supply plans. At the same time  
15 this occurs, the gas supply plan targets certain capacity contracts for release. We propose  
16 to replace the four-year weighted average with the actual planned releases specified in the  
17 gas supply plan. The PSCW PGA Application has active data fields for this purpose.  
18 WEGO and WG do not use those fields today simply because our four-year average  
19 cannot be tied to specific contracts in the gas supply plan.

20 **Q. How would this change be reflected in your plan language?**

21 A. The current four-year weighted average methodology is found on page 5 of our  
22 PGA/GCRM plan document (PSC Ref. # 114291), as approved by the Commission (PSC  
23 Ref. # 118555). We propose the following change to that plan document:

1 ~~Prior GCRM year's results weighted at 40%, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> prior GCRM year's~~  
2 ~~results weighted at 20% each.~~ Direct off set of pipeline capacity in PSCW Gas  
3 Supply/PGA Application with proposed capacity release in gas supply plan.  
4 During course of natural gas year, capacity release shall be accounted for as  
5 offsetting actual capacity cost.

6 **Q. Do you propose any changes to procurement of natural gas for electric power**  
7 **generation?**

8 A. Yes. We are proposing to create interruptible sales services for electric power generation  
9 services that parallel the transportation service classes by which we service our  
10 generators today. This will create a tariff path by which we could move electric  
11 generation services to interruptible sales service should we so choose.

12 **Q. Couldn't you simply move these generators to industrial/commercial interruptible**  
13 **sales services?**

14 A. No. The commercial industrial service tariff excludes power generation. Different  
15 portfolio needs and load factors continue to support separately classifying services for  
16 commercial industrial service and power generation. As such, we prefer to extend the  
17 interruptible sales option to power generation.

18 **Q. What changes are you making to your budget billing program?**

19 A. As Ms. Ferguson explains in her direct testimony, we are refining language to bring all  
20 customers onto the same budget billing reconciliation calculation. I am proposing the  
21 same changes, on the same schedule, for gas service.

22 **Q. Does this conclude your direct testimony?**

23 A. Yes.